Condensed Consolidated Interim Financial Statements
(In thousands of Canadian dollars)

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND

For the three and six months ended June 30, 2025 and June 30, 2024

(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102 – *Continuous Disclosure Obligations*, if an auditor has not performed a review of an entity's condensed consolidated interim financial statements, they must be accompanied by a notice indicating that such condensed consolidated interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of Starlight Western Canada Multi-Family (No. 2) Fund have been prepared by and are the responsibility of Starlight Western Canada Multi-Family (No. 2) Fund's management.

Starlight Western Canada Multi-Family (No. 2) Fund's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of condensed consolidated interim financial statements by an entity's auditor.

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND

Condensed Consolidated Interim Statement of Financial Position
As at June 30, 2025 and December 31, 2024
(In thousands of Canadian dollars)
(Unaudited)

	Notes		June 30, 2025		December 31, 2024
ASSETS					
Non-current assets:					
Investment properties	5	$	414,830	$	414,480
Total non-current assets			414,830		414,480
Current assets:					
Resident and other receivables	6		75		78
Prepaid expenses and other assets	7		1,295		632
Restricted cash	8		1,284		1,282
Cash			1,603		3,916
Total current assets			4,257		5,908
TOTAL ASSETS		**$**	**419,087**	**$**	**420,388**
LIABILITIES					
Non-current liabilities:					
Loans payable	9	$	259,684	$	260,553
Provision for carried interest	11(b)		—		959
Total non-current liabilities excluding net liabilities attributable to Unitholders			259,684		261,512
Current liabilities:					
Loans payable	9		2,829		2,762
Distributions payable	11(a)		377		378
Resident rental deposits			1,316		1,282
Finance costs payable	9		714		733
Accounts payable and accrued liabilities	10		2,442		1,901
Total current liabilities excluding net liabilities attributable to Unitholders			7,678		7,056
TOTAL LIABILITIES			**267,362**		**268,568**
Net liabilities attributable to Unitholders	11(a)		151,725		151,820
TOTAL LIABILITIES AND NET LIABILITIES ATTRIBUTABLE TO UNITHOLDERS		**$**	**419,087**	**$**	**420,388**

Commitments and contingencies (note 17).

Subsequent events (note 23).

See accompanying notes to the condensed consolidated interim financial statements

Approved by the Board of Trustees of Starlight Western Canada Multi-Family (No. 2) Fund, on August 14, 2025, and signed on its behalf:

Denim Smith Trustee   *Lawrence D. Wilder* Trustee

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND

Condensed Consolidated Interim Statement of (Loss) Income and Comprehensive (Loss) Income
For the three and six months ended June 30, 2025 and June 30, 2024
(In thousands of Canadian dollars)
(Unaudited)

		Three months ended June 30		Six months ended June 30	
	Notes	**2025**	**2024**	**2025**	**2024**
Revenue from property operations		$ 5,452	$ 5,374	$ 10,912	$ 10,625
Expenses:					
Property operating costs		(1,158)	(1,128)	(2,401)	(2,379)
Property taxes		(492)	(486)	(912)	(841)
Income from rental operations		3,802	3,760	7,599	7,405
Fund and trust expenses	12	(550)	(591)	(1,076)	(1,189)
Finance costs	13	(2,575)	(2,915)	(5,150)	(5,783)
Interest income	14	—	—	—	1,851
Distributions to Unitholders	11(a)	(1,132)	(1,089)	(2,264)	(2,086)
Fair value adjustment of investment properties	5	—	2,527	—	10,635
Provision of carried interest	11(b)	278	—	959	(2,473)
Net (loss) income and comprehensive (loss) income		**$ (177)**	**$ 1,692**	**$ 68**	**$ 8,360**

See accompanying notes to the condensed consolidated interim financial statements.

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND

Condensed Consolidated Interim Statement of Changes in Net Liabilities Attributable to Unitholders
For the six months ended June 30, 2025 and June 30, 2024
(In thousands of Canadian dollars)
(Unaudited)

	Class A	Class B	Class C	Total
Balance, January 1, 2025	$ 49,302	$ 61,607	$ 40,911	$ 151,820
Changes during the period:				
Redemption of Units (note 11(a))	(123)	(38)	(2)	(163)
Net income and comprehensive income	22	28	18	68
Balance, June 30, 2025	**$ 49,201**	**$ 61,597**	**$ 40,927**	**$ 151,725**

	Class A	Class B	Class C	Total
Balance, January 1, 2024	$ 49,316	$ 61,642	$ 40,793	$ 151,751
Changes during the period:				
Redemption of Units (note 11(a))	(56)	(63)	—	(119)
Net income and comprehensive income	2,711	3,392	2,257	8,360
Balance, June 30, 2024	**$ 51,971**	**$ 64,971**	**$ 43,050**	**$ 159,992**

See accompanying notes to the condensed consolidated interim financial statements.

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND

Condensed Consolidated Interim Statement of Cash Flows
For the three and six months ended June 30, 2025 and June 30, 2024
(In thousands of Canadian dollars)
(Unaudited)

	Notes	Three months ended June 30 2025	Three months ended June 30 2024	Six months ended June 30 2025	Six months ended June 30 2024
Operating activities:					
Net (loss) income and comprehensive (loss) income		$ (177)	$ 1,692	$ 68	$ 8,360
Adjustments for financing activities included in net (loss) income and comprehensive (loss) income:					
Finance costs	12	2,575	2,915	5,150	5,783
Distributions to Unitholders	11(a)	1,132	1,089	2,264	2,086
Interest income	14	—	—	—	(1,851)
Adjustments for items not involving cash:					
Fair value adjustment of investment properties	5	—	(2,527)	—	(10,635)
Provision of carried interest	11	(278)	—	(959)	2,473
Change in non-cash operating working capital	15(a)	122	980	(84)	315
Change in restricted cash	8	(38)	(14)	(2)	(24)
Cash provided by operating activities		**3,336**	**4,135**	**6,437**	**6,507**
Investing activities:					
Capital additions to investment properties	5	(184)	(253)	(350)	(645)
Cash used in investing activities		**(184)**	**(253)**	**(350)**	**(645)**
Financing activities:					
Redemption of Units	11	(99)	(75)	(163)	(119)
Loans payable:					
Proceeds from new financing	9	600	60,120	600	60,120
Repayments of existing loans payable	9	(1,015)	(58,018)	(2,030)	(58,928)
Finance costs paid	15(b)	(2,256)	(5,544)	(4,543)	(7,860)
Distributions	11(a)	(1,132)	(1,043)	(2,264)	(2,040)
Interest income received		—	—	—	1,851
Cash used in financing activities		**(3,902)**	**(4,560)**	**(8,400)**	**(6,976)**
Decrease in cash		**(750)**	**(678)**	**(2,313)**	**(1,114)**
Cash, beginning of period		2,353	4,378	3,916	4,814
Cash, end of period		**$ 1,603**	**$ 3,700**	**$ 1,603**	**$ 3,700**

See accompanying notes to the condensed consolidated interim financial statements.

1. Nature of business

Starlight Western Canada Multi-Family (No. 2) Fund (the “Fund”) is a “closed-end" fund established under and governed by the laws of the Province of Ontario, pursuant to an initial declaration of trust dated November 12, 2021, as amended and restated on January 27, 2022 (the “Declaration of Trust”). The term of the Fund is three years, with two one-year extensions available at the option of the Fund's board of trustees ("Board") and may be further extended by special resolution of the unitholders ("Unitholders") of the Fund. On November 14, 2024, the Board approved a one-year extension of the Fund’s term to February 22, 2026 to provide the Fund with additional flexibility to capitalize on anticipated improvements to the real estate investment market. The Fund was established for the primary purpose of directly or indirectly acquiring, owning, operating and stabilizing a portfolio comprised of income-producing multi-family real estate properties in western Canada that demonstrate value based on pricing and local supply and demand trends to achieve the Fund’s target metrics by increasing in-place rents to market rents, revenue enhancement through ancillary income opportunities and operating expense reductions as a result of active asset management, and are located primarily on Vancouver Island and the mainland of the Province of British Columbia (“BC”).

On February 22, 2022, the Fund completed its initial public offering (the "Offering") and raised aggregate gross subscription proceeds of $130,000. The Fund achieved the maximum offering allowable and issued the following trust units ("Units"): 4,207,395 class A Units; 5,404,905 class B Units; and 3,387,700 class C Units at a price of $10.00 per Unit. Class A, B and C Units are Canadian dollar denominated (note 11(a)).

Following completion of the Offering, the Fund acquired five institutional quality multi-family properties comprising a total of 495 suites located in BC, which included 6035 Linley Valley Drive and 4800 Uplands Drive, Nanaimo, BC ("Nanaimo"), 733 Goldstream Avenue, Langford, BC ("Langford"), 3400 Centennial Drive, Vernon, BC ("Vernon"), 1803 31A Street, Vernon, BC ("Vernon 2") and 2699 Peatt Road, Langford, BC ("Langford 2"). Subsequent to the Offering, the Fund acquired four additional multi-family properties comprising a total of 449 suites during the years ended December 31, 2022 and December 31, 2023, which included 1085 Goldstream Avenue, Langford, BC ("Langford 3"), 5477 200 Street, Langley, BC ("Langley"), 4745 Ledgerwood Road, Nanaimo, BC ("Nanaimo 2") and 728 Meaford Avenue, Langford, BC ("Langford 4").

The Fund is managed by Starlight Investments CDN AM Group LP (the "Manager") which is a wholly-owned subsidiary of Starlight Group Property Holdings Inc. and a related party. As at June 30, 2025, the Fund’s property portfolio consisted of interests in nine multi-family properties totaling 944 suites.

The registered office of the Fund is located at 3280 Bloor Street West, Centre Tower, Suite 1400, Toronto Ontario M8X 2X3.

2. Basis of presentation

(a) Statement of compliance:

These condensed consolidated interim financial statements of the Fund and its subsidiaries have been prepared by management in accordance with International Accounting Standard (“IAS”) 34, Interim Financing Reporting. Selected explanatory notes are included to explain events and transactions significant to understand the changes in financial position and performance of the Fund since the last audited consolidated financial statements for the year ended December 31, 2024. Certain information and note disclosures normally included in the annual audited consolidated financial statements prepared in accordance with IFRS Accounting Standards have been omitted or condensed. These condensed consolidated interim financial statements were approved by the Board of the Fund and authorized for issue on August 14, 2025.

(b) Basis of measurement:

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for investment properties, which are measured at fair value. All intercompany transactions and balances between the Fund and the subsidiary entities have been eliminated upon consolidation.

(In thousands of Canadian dollars, unless otherwise noted)

(c) Functional and presentation currency:

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the functional currency of the Fund and its subsidiaries and all amounts have been rounded to the nearest thousand except when otherwise indicated.

3. Material accounting policies

The condensed consolidated interim financial statements have been prepared in accordance with the accounting policies included in the Fund's audited consolidated financial statements for the year ended December 31, 2024. These accounting policies are based on the IFRS Accounting Standards applicable at that time. The condensed consolidated interim financial statements do not include all of the disclosures included in the audited consolidated financial statements for the year ended December 31, 2024 and accordingly, should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2024 and notes thereto.

4. Adoption of accounting standards

(a) Future accounting policy changes:

(i) IFRS 18 Presentation and Disclosure in Financial Statements:

The new standard, IFRS 18, replaces IAS 1 Presentation of Financial Statements while carrying forward many of the requirements in IAS 1. IFRS 18 includes requirements for all entities applying IFRS for the presentation and disclosure of information in financial statements. It introduces three sets of new requirements to improve companies' reporting of financial performance and give investors a better basis for analyzing and comparing companies. The standard is effective for annual periods beginning on or after January 1, 2027, with restatement of the comparative period being required and early application permitted. The Fund is currently evaluating the impact of this amendment on future periods and does not anticipate a material impact to the Fund as a result of IFRS 18.

(ii) IFRS 19 Subsidiaries without Public Accountability: Disclosures:

The new standard, IFRS 19, enables subsidiaries to keep only one set of accounting records to meet the needs of both their parent company and the users of their financial statements and reduces disclosure requirements. The standard is effective for annual periods beginning on or after January 1, 2027, with early application permitted. The Fund is currently evaluating the impact of this amendment on future periods and does not anticipate a material impact to the Fund as a result of IFRS 19.

(iii) Amendments to the Classification and Measurement of Financial Instruments which amended IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures:

The amendments will address diversity in accounting practice by making the requirements more understandable and consistent. These amendments are effective for annual periods beginning on or after January 1, 2026, with early application permitted. The Fund is currently evaluating the impact of these amendments on future periods.

5. Investment properties

The following table summarizes the change in the investment properties for the six months ended June 30, 2025 and the year ended December 31, 2024:

Balance, January 1, 2024	$	419,500
Additions		883
Fair value adjustment		(5,903)
Balance, December 31, 2024	$	414,480
Additions		350
Balance, June 30, 2025	$	414,830

(In thousands of Canadian dollars, unless otherwise noted)

The following table reconciles the cost base of the investment properties to their fair values:

	June 30, 2025	December 31, 2024
Cost	$ 379,944	$ 379,594
Cumulative fair value adjustment	34,886	34,886
Fair value	$ 414,830	$ 414,480

The key valuation assumptions for the investment properties are set out in the following table:

	June 30, 2025	December 31, 2024
Capitalization rate - range	4.20% - 5.25%	4.15% - 5.00%
Capitalization rate - weighted average	4.44 %	4.38 %

The Fund determined the fair value of each property using the direct income capitalization approach. The capitalized earnings reflect rental income from current leases and assumptions about rental income from future leases and occupancy reflecting market conditions at the reporting date, less future cash outflows in respect of such leases (note 20(b)).

The fair values of the Fund's properties are sensitive to changes in the key valuation assumptions. A 10 basis-point ("bps") change in the capitalization rates would result in a change to the estimated fair value of the properties as set out in the following table:

Weighted average	Change	June 30, 2025	December 31, 2024
Capitalization rate	10 bps increase	$ (9,137)	$ (9,252)
Capitalization rate	10 bps decrease	$ 9,558	$ 9,684

The impact of a one percent change in the net operating income used to value the properties as at June 30, 2025 would affect the fair value by approximately $4,148 (December 31, 2024 - $4,145).

The properties are considered as Level 3 assets under IFRS 13 - Fair value measurement due to the extent of assumptions required beyond observable market data to derive the fair values (note 20(b)).

6. Resident and other receivables

The following table presents details of the resident and other receivables balance:

	June 30, 2025	December 31, 2024
Resident receivables[1]	$ 45	$ 42
Other receivables[1]	30	36
	$ 75	$ 78

[1] The Fund holds no collateral in respect of resident and other receivables.

7. Prepaid expenses and other assets

The following table presents details of the prepaid expenses balance:

	June 30, 2025	December 31, 2024
Prepaid insurance	$ 230	$ —
Prepaid property taxes	918	543
Prepaid expenses	140	82
Other deposits	7	7
	$ 1,295	$ 632

(In thousands of Canadian dollars, unless otherwise noted)

8. Restricted cash

The following table presents details of the restricted cash balance:

		June 30, 2025		December 31, 2024
Escrowed funds:				
Other deposits[1]		—		36
Restricted cash:				
Security deposits[2]		1,284		1,246
	$	1,284	$	1,282

[1] Other deposits represent amounts held by lenders and third parties to be incurred for investment properties.
[2] Security deposits relate to funds paid by residents that are specifically restricted until a resident exits a lease and are either refunded or applied to amounts due under their lease, as applicable.

9. Loans payable

Mortgages payable are secured against the applicable investment properties and bear interest at fixed rates. Mortgages payable are classified as current liabilities if they are due and payable within 12 months from the date of statement of financial position.

The Fund has non-revolving term credit facilities with a Canadian chartered bank with $16,100 drawn as at June 30, 2025 (December 31, 2024 - $15,500). The undrawn portion of the credit facilities was $3,400 as at June 30, 2025 (December 31, 2024 - $4,000). The credit facilities are secured by a second charge against Fund's investment properties. The credit facilities are subject to interest at the bank's prime rate plus 1.25% (December 31, 2024 - no change) per annum or, at the borrower's option at the time of advance, at variable index rates based on the Canadian Overnight Repo Rate Average ("CORRA") plus an interest rate spread.

The following table provides a breakdown of the current and non-current portions of loans payable:

		June 30, 2025		December 31, 2024
Current:				
Mortgages payable	$	4,169	$	4,093
Unamortized finance costs		(1,340)		(1,331)
		2,829		2,762
Non-current:				
Mortgages payable		247,848		249,953
Credit facilities payable		16,100		15,500
Unamortized finance costs		(4,264)		(4,900)
		259,684		260,553
Total	$	262,513	$	263,315

As at June 30, 2025, the Fund's loans payable had a weighted average term to maturity of 4.59 years (December 31, 2024 - 5.09 years) and a weighted average interest rate of 3.25% (December 31, 2024 - 3.28%).

During the three and six months ended June 30, 2025, the Fund incurred interest expense on loans payable of $2,156 and $4,317 (June 30, 2024 - $2,302 and $4,799), respectively, which is included in finance costs (note 13).

Future principal payments on loans payable are as follows:

	Principal payments	Balloon payments	Total
2025 - reminder of year	$ 2,064	$ —	$ 2,064
2026	4,231	—	4,231
2027	3,436	89,764	93,200
2028	3,218	10,355	13,573
2029	2,834	39,518	42,352
Thereafter	4,829	107,868	112,697
	$ 20,612	$ 247,505	$ 268,117
Unamortized financing costs			(5,604)
Carrying value			$ 262,513

10. Accounts payable and accrued liabilities

The following table presents the details of accounts payable and accrued liabilities:

	June 30, 2025	December 31, 2024
Resident prepayments	$ 363	$ 326
Operating payables	1,940	1,437
Accrued asset management fees (note 16)	137	138
	$ 2,442	$ 1,901

11. Net liabilities attributable to Unitholders

(a) Composition of net liabilities attributable to Unitholders and beneficial ownership of the Fund:

The beneficial interests in the net liabilities and net (loss) income and comprehensive (loss) income of the Fund are held in three classes of Units: class A; class B; and class C. The Fund is authorized to issue an unlimited number of Units of each class. Each Unitholder is entitled to one vote per Unit held. Each class of Units entitles the holder to the same rights as a Unitholder in any other class of Unit and no Unitholder is entitled to any privilege, priority or preference in relation to any other Unitholder's rights. As there are varying economic values per class of Units, the net liabilities attributable to Unitholders will be distributed disproportionately on a per Unit basis upon liquidation. Accordingly, these Units have been classified as a liability in the condensed consolidated interim statement of financial position and any distributions paid on each class of Units are presented in the condensed consolidated interim statement of (loss) income and comprehensive (loss) income.

For the three and six months ended June 30, 2025, distributions of $1,132 and $2,264 were declared and recorded to distribution expense (June 30, 2024 - $1,089 and $2,086), respectively.

The following table represents a summary of the changes in thousands of Units by class:

	Number of Units outstanding (000's)				Net liabilities attributable to Unitholders
	Class A	Class B	Class C	Total Units	
Outstanding as at January 1, 2025	4,176	5,384	3,388	12,948	$ 151,820
Redemption of Units	(12)	(4)	—	(16)	(163)
Net income and comprehensive income	—	—	—	—	68
Outstanding as at June 30, 2025	4,164	5,380	3,388	12,932	$ 151,725

During the six months ended June 30, 2025, pursuant to the related Offering condition, 12,291 Class A Units, 3,877 Class B Units and 150 Class C Units were redeemed in accordance with the Declaration of Trust at 95% of Net Asset Value (“NAV”), amounting to a total of $163 (June 30, 2024 - $119) (note 23).

(In thousands of Canadian dollars, unless otherwise noted)

(b) Carried interest:

Through D.D. Acquisitions Partnership ("DDAP") as holder of Starlight Western Canada Multi-Family (No. 2) Holding LP (the "Holding LP") class B limited partnership units, Daniel Drimmer is indirectly entitled to a carried interest, being (i) an aggregate amount equal to 25% of the total of all amounts each of which is the amount, if any, by which (A) the aggregate amount of distributions which would have been paid on all Units of a particular class if all distributable cash of the Holding LP was received by the Fund (including through Starlight Western Canada Multi-Family (No. 2) GP, Inc.), together with all other amounts distributable by the Fund (including distributable cash generated by investees of the Fund not held through the Holding LP, if any), and distributed by the Fund (net of any amounts required to provide for expenses) to Unitholders in accordance with the Declaration of Trust, exceeds (B) the aggregate minimum return (being 7.0%) in respect of such class of Units (the calculation of which includes the amount of the investors capital return base), provided that, to the extent that the aggregate amount of distributions which would have been paid on all Units of a particular class pursuant to the foregoing exceeds the minimum return for such class, DDAP will first be entitled to an aggregate amount equal to 50% of each such excess amount (i.e., a catch-up) until the amounts, if any, distributable to Unitholders of each class in excess of the investors capital return base is equal to three times (i.e., 75%/25%) the catch-up payment receivable by DDAP in respect of such class, and if more than one series of a class of Units is issued subsequent to the closing date, the foregoing calculations and distributions will be separately determined on the basis of each such series.

As at June 30, 2025, the Fund had recognized a provision for carried interest of $nil (December 31, 2024 - $959), resulting in a recovery of $278 and $959 for the three and six months ended June 30, 2025 (June 30, 2024 - expense of $nil and $2,473), respectively.

12. Fund and trust expenses

Fund and trust expenses consist of the following:

	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Asset management fees (note 16(a))	$ 410	$ 414	$ 820	$ 824
General and administrative expenses	140	177	256	365
	$ 550	$ 591	$ 1,076	$ 1,189

13. Finance costs

Finance costs consist of the following:

	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Interest expense on loans payable (note 9)	$ 2,156	$ 2,302	$ 4,317	$ 4,799
Amortization of financing costs	334	384	664	660
Other financing costs	85	229	169	324
	$ 2,575	$ 2,915	$ 5,150	$ 5,783

14. Interest income

Interest income consists of the following:

	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Interest income from bank deposits[(1)]	$ —	$ —	$ —	$ 1,851

(1) Interest income relates to incremental interest received on historical cash balances from the Fund's corporate banking provider, a Canadian chartered bank.

(In thousands of Canadian dollars, unless otherwise noted)

15. Supplemental cash flow information

(a) Changes in non-cash operating working capital:

The following table presents the changes in non-cash operating working capital presented within the condensed consolidated interim statement of cash flows:

	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Resident and other receivables	42	(9)	3	28
Prepaid expense and other assets	(267)	389	(662)	(492)
Resident rental deposits	43	26	34	41
Accounts payable and accrued liabilities	304	574	541	738
Total change in non-cash operating working capital	$ 122	$ 980	$ (84)	$ 315

(b) Finance costs paid:

The following table presents the components of finance costs paid presented within the condensed consolidated interim statement of cash flows:

	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Interest expense paid	$ (2,172)	$ (2,206)	$ (4,337)	$ (4,459)
Financing costs incurred on loans payable	(84)	(3,338)	(206)	(3,401)
Total finance costs paid	$ (2,256)	$ (5,544)	$ (4,543)	$ (7,860)

16. Transactions with related parties

The condensed consolidated interim financial statements include the following transactions with related parties:

The Manager is a related party to the Fund as the Manager is owned and controlled by Daniel Drimmer, Founder, Chief Executive Officer and a Unitholder of the Fund. The Fund engaged the Manager to perform certain management services as outlined below:

(a) Pursuant to the management agreement dated February 22, 2022 (the "Management Agreement"), the Manager is to perform asset management services for fees equal to 0.35% of the fair market value as prescribed by the most recent annual appraisals of the properties ("Gross Asset Value"), with the initial Gross Asset Value being the purchase price of the properties paid or deemed paid by the Fund.

Included in fund and trust expenses were $410 and $820 in asset management fees charged by the Manager (note 12) for the three and six months ended June 30, 2025 (June 30, 2024 - $414 and $824), respectively. Asset management fees payable to the Manager as at June 30, 2025 was $137 (December 31, 2024 - $138), included in accounts payable and accrued liabilities (note 10).

(b) Pursuant to the Management Agreement, the Manager is entitled to receive an acquisition fee in respect of properties acquired, directly or indirectly, by the Fund as a result of such properties having been presented to the Fund by the Manager calculated as 1.0% of the purchase price of a property.

No acquisition fees were incurred for the three and six months ended June 30, 2025 (June 30, 2024 - $nil).

(c) Pursuant to the Management Agreement, in the event that the Manager is required by the lenders of the Fund to provide a financing guarantee in connection with the amount borrowed by the Fund or its subsidiaries relating to a property, the Fund will, in consideration for providing such guarantee, in aggregate, pay the Manager a guarantee fee represented by an annual amount equal to 0.15% of the then-outstanding amount of such guaranteed funds. This fee is calculated and payable in arrears on the first day of each month.

For the three and six months ended June 30, 2025, the Fund incurred guarantee fees of $85 and $169 (June 30, 2024 - $96 and $190), respectively. Guarantee fees payable to the Manager as at June 30, 2025 was $28 (December 31, 2024 - $29).

(d) Aggregate compensation to key management personnel was $nil and $nil for the three and six months ended June 30, 2025 as compensation of these individuals is paid by the Manager pursuant to the Management Agreement (June 30, 2024 - $nil and $nil).

17. Commitment and contingencies

At June 30, 2025, the Fund had no commitments for future minimum lease payments under non-cancellable operating leases. All future leases as of June 30, 2025 expire within 12 months. The Fund holds commitments to provide for carried interest when applicable and to distribute excess cash to Unitholders.

The Fund may be involved in litigation and claims in relation to the investment properties that arise from time to time in the normal course of business. In the opinion of management, none of these, individually or in aggregate, would result in the recognition of a liability that would have a significant adverse effect on the financial position of the Fund. The Fund has agreed to indemnify, in certain circumstances, the trustees and officers of the Fund and its subsidiaries.

18. Segmented disclosure

All of the Fund’s assets and liabilities are in, and its revenues are derived from the BC real estate industry segment. The Fund’s investment properties are, therefore, considered by management to have similar economic characteristics. No single resident accounts for 10% or more of the Fund’s rental revenue.

19. Capital management

The Fund’s capital management objectives and policies are to maintain a strong capital base so as to support ongoing operations, maintain creditor and market confidence and to sustain future development of the business. Capital consists of loans payable including capital lines available and net liabilities attributable to Unitholders. The Fund monitors capital using tools designed to anticipate cash needs and to maintain adequate working capital, while also distributing appropriate amounts to the Unitholders on a regular basis.

The Fund’s credit facilities typically carry consolidated Fund maximum leverage, minimum net worth and minimum debt service coverage covenants. The Fund was in compliance with all financial covenants as at June 30, 2025.

20. Risk management

The Fund’s activities expose it to credit risk, market risk, liquidity risk, interest rate risk and other risks. These risks and the actions taken to manage them are as follows:

(a) Credit risk:

Credit risk is the risk that: (i) counterparties to contractual financial obligations will default; and (ii) the possibility that the residents may experience financial difficulty and be unable to meet their rental obligations. The properties mitigate the risk of credit loss with respect to residents by evaluating creditworthiness of new residents, obtaining security deposits wherever permitted by legislation and utilizing third party collection agencies for longstanding balances due from residents.

The Fund monitors its collection experience on a monthly basis and ensures that a stringent policy is adopted to provide for all past due amounts. Subsequent recoveries of amounts previously written-off are credited in the condensed consolidated interim statement of (loss) income and comprehensive (loss) income.

At June 30, 2025, the Fund had an allowance for uncollectible amounts of $353 (December 31, 2024 - $366). Bad debts expensed within the property operating costs for the three and six months ended June 30, 2025 were $26 and $53 (June 30, 2024 - $23 and $24), respectively.

The Fund continues to actively monitor the impact of interest rates and inflation may have on credit risks applicable to the Fund.

(b) Market risk:

Market risk is the risk that the fair value or future cash flows of financial assets or liabilities will fluctuate due to movements in market prices. The investment properties are subject to the risks associated with debt financing, including the risk that certain loans may not be refinanced on terms as favourable as those of the existing indebtedness, in the event that such refinancings occur in future periods. As at June 30, 2025, the Fund's investment properties have been reported at fair value which reflects the Fund's best estimate of future cash flows and capitalization rates applicable to the investment properties.

During the three and six months ended June 30, 2025, the Fund has adjusted the capitalization rates used in the valuation of its investment properties to ensure appropriate fair values are reflected as at June 30, 2025 (note 5). The adjustment in capitalization rates is reflective of third party appraisals as of December 31, 2024 as well as consideration of comparable sales transactions and changes which have occurred in the overall investment market for residential properties up to June 30, 2025. Although the Manager utilized the best available information to determine the capitalization rates used for purposes of the valuations of the Fund's investment properties as at June 30, 2025, the period leading up to June 30, 2025 experienced limited comparable sales for the Manager to rely on as a result of broader market conditions, including certain owners of multi-family properties delaying sales as a result of interest rate uncertainty and concerns relating to the potential economic impact of tariffs imposed by the United States. The Manager will continue to evaluate comparable sales transactions as additional comparable sales data occurs under current market conditions. The Fund continues to actively monitor the impact that interest rates and inflation may have on market risk (note 20(d)).

(c) Liquidity risk:

Liquidity risk is the risk that the Fund may encounter difficulties in meeting its financial obligations as they come due. To mitigate the risk associated with liquidity, management's strategy is to ensure, to the extent possible, that it always has sufficient financial assets to meet its financial liabilities when they come due, by forecasting cash flows from operations and anticipated investing and financing activities. All of the Fund's current liabilities have contractual maturities of less than 12 months and are subject to normal trade terms. The contractual maturity of the loans payable is outlined in note 9.

(d) Interest rate risk:

Interest rate risk is the risk that the market value or future cash flows of a financial instrument will fluctuate because of changes in interest rates. The Fund is exposed to interest rate risk on its loans payable. The risk of unfavorable interest rate changes is managed by low floating debt exposure. Floating debt of the Fund represented 6.0% of total debt as at June 30, 2025 (note 9).

21. Fair value measurement of financial instruments

The Fund uses various methods in estimating the fair values recognized in the condensed consolidated interim financial statements. The fair value hierarchy reflects the significance of inputs used in determining the fair values:

- Level 1 - quoted prices in active markets;
- Level 2 - inputs other than quoted prices in active markets or valuation techniques where significant inputs are based on observable market data; and
- Level 3 - valuation technique for which significant inputs are not based on observable market data.

The following summarizes the significant methods and assumptions used in estimating the fair values of the Fund's financial instruments:

- The fair value of the Fund’s financial assets, which include resident and other receivables, restricted cash and cash, as well as financial liabilities, which include resident rental deposits, accounts payable and accrued liabilities, finance cost payable and distributions payable approximate their carrying amounts due to their short-term nature (Level 1);
- The fair value of loans payable is estimated based on the current market rates for debt with similar terms and conditions (Level 2). The fair value of the Fund’s loans payable as at June 30, 2025 approximated their carrying value; and
- Provision for carried interest and net liabilities attributable to Unitholders are considered as Level 3 financial instruments due to the extent of assumptions required beyond observable market data to derive the fair values.

22. Comparative figures

Certain of the comparative figures have been reclassified to confirm to the financial statement presentation adopted in the current period.

23. Subsequent events

Subsequent to June 30, 2025, 2,945 Class A Units and 6,016 Class B Units were redeemed in accordance with the Declaration of Trust at 95% of NAV, amounting to a total of $91.